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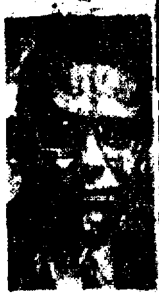
U.S. Production Rate Growth Exceeds Russia's, Briton Says

Khrushchev's Claims Are Distorted, Economist Colin Clark Tells Financial Analysts Here.

By William H. Koster
Post-Dispatch Business Correspondent

The growth rates of both population and productivity per head in the United States are higher than those of Russia, Dr. Colin G. Clark, a well-known British economist, said here Friday. He took issue with statements made by Russian Premier Khrushchev and Allen W. Dulles, director of the Central Intelligence Agency, that Russia is overtaking the United States.

Dr. Clark, who is director of research for a New York business advisory service and a research institute in Oxford, England, spoke to a group of local financial analysts at the Statler-Hilton Hotel. The growth rate of the United States real national product measured in constant dollars is likely to continue at its past rate of 3½ per cent a year, he said. This growth rate is the combination of an increase of 2.3 per cent a year in the real product per man-hour, a 1.4 per cent a year growth rate of the labor force and a decrease of 0.6 per cent yearly in average hours worked per week.



W. H. Koster

The Russian statements, based on propaganda and scanty evidence, that the Soviet rate of economic growth is much greater than that of the United States, are mistaken, Clark said. They are largely based on distortions and relate for the most part to the immediate postwar period of rehabilitation. Population growth in Russia is below 1.5 per cent a year, compared with the United States rate of 1.7 per cent a year.

Cites Persistent Inflation.

To continue to outpace Russia, United States growth must be without inflation, the analysts were told. Since 1945, economic growth has been accompanied by a persistent inflation of costs and prices at an average rate of 2 to 3 per cent a year. This annual inflation is not beneficial, as some economists claim, and, if allowed to continue at the past rate, the consequences to the American economy will be extremely serious and handicap our leadership in the world, the speaker said.

Dr. Clark did not put the cause of rising prices on either labor or management. Prices, profits and wages tend to rise together. The root cause of inflation is excessive government expenditure, the English economist stated. This theory was propounded by him in 1945 and has been subject to much discussion since. Not all economists agree with him.

The real underlying force pulling up wages, profits and prices is taxation, Clark stated. He presented a chart relating the rate of price change in various countries to taxation as a percentage of national income. From the charts he concludes that when taxation exceeds 25 per cent of net national income for any length of time, inflation of costs and prices must continue. A high ratio of taxation to national income is accompanied by a high average rate of increase of prices.

Urges Reduced Taxation.

If we wish price increases to cease, we must bring taxation back to a level of about 25 per cent of net national income, Clark contended. In this country, this would involve cutting some 26 billion dollars a year from the present total of 129 billion dollars in federal, state and local government outlays.

A forecast of business activity in this country also was presented to the analysts. Gross national product in the fourth quarter of 1960 is expected to be at a seasonally adjusted annual rate of 521 billion dollars, up 7.8 per cent from the estimated rate for the current quarter.

However, price increases averaging about 2.8 per cent are expected to account for some of the gain in the value of output. Corporate profits are expected to rise to an annual rate of 52.5 billion dollars in the last quarter of 1960, up 23 per cent from estimated profits in the current quarter, but only slightly higher than the recent peak in the second quarter of 1959.